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Expenditure Audit Section  
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# **Post-Payment Audit of the Texas Senate**



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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of the Texas Senate (Senate) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) and the Uniform Statewide Payroll/Personnel System (USPS) during the period beginning June 1, 2015, through May 31, 2016, to determine compliance with applicable state laws.

The Senate receives appendices with the full report that includes a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

The audit provides a reasonable basis for the findings set forth in this report. The Senate should implement the recommendations listed in the Detailed Findings of this report. It is the Senate's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Senate's documents comply in the future. The Senate must ensure that the findings discussed in this report are resolved.

***Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.***

### Payroll transactions and payroll deductions

Payroll transactions were audited for compliance with the General Appropriations Act (GAA), the [Texas Payroll/Personnel Resource](#) and other pertinent statutes.

A limited sample of voluntary contributions was also audited.

- No issues were identified.

### Purchase transactions

Purchase transactions were audited for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement Manual](#) and other pertinent statutes.

The audit identified:

- Missing purchase order.

The Senate paid \$101.56 in prompt payment interest during the audit period.

### Travel transactions

Travel transactions were audited for compliance with the GAA, [Texttravel](#) and other pertinent statutes.

The audit identified:

- Lack of conservation of state funds.

### Travel card transactions

Travel card transactions were audited for compliance with the GAA, [Texttravel](#) and other pertinent statutes.

- No issues were identified.

### Duplicate payments

The audit included a review of several ad hoc reports to test compliance with a variety of topics. Among the aforementioned documents was the Duplicate Payment Report, which registers data related to multiple payments to a vendor for the same good or service.

The audit identified:

- Two sets of transactions were duplicate payments.

### Security

The audit included a security review to identify any of the Senate's employees with security in USAS, USPS or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner.

- No issues were identified.

### Internal control structure

The Senate's internal control structure was reviewed. The review was limited to obtaining an understanding of the Senate's controls sufficient to plan the audit and did not include tests of control policies and procedures.

The audit identified:

- Two employees could process and release payments through USAS and process and release payments between the internal system and USAS;
- Two employees could process and release payrolls.
- Three employees could adjust payment instructions in TINS, approve vouchers, pick up warrants from the Comptroller's office and approve paper vouchers.

## Direct deposit authorization forms

A review was conducted of the Senate's procedure to comply with the federal mandate to properly identify and handle payments involving moving funds internationally.

- No issues were identified.

## Fixed assets

The audit included a limited review of three fixed assets acquired by expenditures during our audit period. Their physical existence and use for state business was verified. All assets tested were in their intended location and properly recorded in the State Property Accounting (SPA) System.

- No issues were identified.

## Prior post-payment audit and current audit recurring findings

A prior post-payment audit of the Senate's payroll, purchase and travel transactions was concluded on Aug. 31, 2012

During the current audit, the following recurring findings were identified:

- Duplicate payments.
- Control weakness over expenditure processing.

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## DETAILED FINDINGS — PURCHASE

### Missing Purchase Order

#### Finding

During our audit of purchase transactions, we identified 17 payment transactions made to five different vendors that were not supported by a purchase order (PO).

Without a purchase order with the vendor at the time the goods were ordered, it would be difficult for the Senate to ensure that it was not overcharged or billed for goods or services beyond those the Senate had agreed to purchase. The Senate has procedures in place that require a purchase order be created prior to obtaining goods and services, but this procedure was not followed in these instances.

It is the general responsibility of a state agency and its officers and employees to ensure “that for each purchase document, the agency maintains necessary documentation for proving that each payment resulting from the document is legal, proper, and fiscally responsible.” See 34 Texas Administrative Code Section 5.51(c)(1)(D).

#### Recommendation/Requirement

While a formal or automated purchase order is not generally required, the Senate must ensure that documentation of the agreement is prepared when ordering goods or services from the vendor. Once the Senate has made a final approved agreement with the vendor, it may not pay any amount in excess of the agreed-upon amount unless the agreement is amended due to the vendor providing a new benefit.

#### Senate Response

*The Senate currently requires purchase orders prior to obtaining goods and services for most of its expenditure transactions. Previously the Senate did not incorporate purchase orders for shipping services; however, the Senate will incorporate a blanket purchase order system for shipping services and reference the blanket purchase order in payments to shipping vendors.*



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## DETAILED FINDINGS — TRAVEL

### Lack of Conservation of State Funds

#### Finding

We identified one instance where the Senate did not request reimbursement of an airline credit balance. The Senate purchased a round-trip airline ticket that was used for one-way flight, so the airline issued a credit memo for the remaining balance. Typically, airlines maintain the credit balance for one year after which the credit automatically expires. The Senate did not use the available credit or request the refund of credit balance within the designated period. So the credit expired and the state funds could not be recovered.

During our audit, the Senate contacted the airline in an attempt to recover the outstanding credit but it was unable to do so because the balance was over a year old. The Senate stated that this error was due to an oversight.

According to Texas Government Code, Section 660.007(a), a state agency shall minimize the amount of travel expenses paid or reimbursed by the agency. The agency shall ensure each travel arrangement is the most cost effective, considering all relevant circumstances.

#### Recommendation/Requirement

To protect the state funds, the Senate must seek reimbursement of its credit balances from vendors in a timely manner.

#### Senate Response

*Certain airlines issue credit memos instead of reimbursements for unused flights that were charged to the Senate's commercial travel account. We hold the credit memo and then apply it when the traveler for whom the credit memo was issued books another flight. This particular staffer did not book another flight using the Senate's commercial travel account for almost a full year. The Senate will change procedures to where if a credit memo is given to the Senate for an unused flight, the Senate will apply the credit to a payment of a flight of another staffer whose salary is allocated to the same budget so that the fiscal allocation of the expense stays the same as if the original staffer used the flight.*

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## DETAILED FINDINGS — DUPLICATE PAYMENTS

### Duplicate Payments

#### Finding

We ran a report outside of the sample to identify potential duplicate payments processed by the Senate for the audit period. During our review of this report, we identified two duplicate payments. The total amount of the overpayments was \$391.06.

The Senate explained that its internal system has an inquiry screen called the “financial transaction inquiry” which the Senate employees should access prior to payment processing to verify duplicate payments and ensure they do not occur. In addition, the Senate’s internal accounting system has a built-in duplicate payment control mechanism that matches vendor number, service date and invoice number to prevent a payment should those three fields match in a transaction. In this instance, the invoices were accidentally misfiled. As a result, the employee repaid the invoices by entering a variation of the invoice numbers to override the system’s duplication prevention mechanism because he could not find the proof of a payment and was concerned with making a late payment on a utility bill.

As a result of this audit, the employee was instructed not to override the system controls and to use the system’s inquiry feature to verify that no duplicate documents were entered. The vendor was contacted and the duplicate payments were credited to the outstanding balance.

In the Senate’s response to a similar finding in the prior audit report, the Senate stated that it had obtained a credit for the duplicate payment and had corrected the internal system that inadvertently allowed reprocessing of the same invoice for payment.

#### Recommendation/Requirement

The Senate must further enhance its procedures to identify potential duplicate invoices to avoid making duplicate payments to vendors. The accounting staff should ensure that the invoices and payments are reconciled to prevent payment duplication and are not able to override the internal system’s preventative controls.

#### Senate Response

*The Senate’s controls currently in place sufficiently prevent duplicate controls and will continue to be used as the method of preventing duplicate payment. Staffers are instructed and have been retrained to use the internal accounting system inquiry system and payment reports to verify whether payment has been made to vendors. The Purchasing Director also verifies via system inquiry that payments are no longer duplicative.*



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## DETAILED FINDINGS — EXPENDITURE APPROVALS

### Control Weakness Over Expenditure Processing

#### Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the Senate placed on its accounting staff's ability to process expenditures. We reviewed the Senate's security in USAS, USPS, TINS and its voucher signature cards that were in effect on Oct. 5, 2016. We did not review or test any internal or compensating controls that the Senate may have relating to USAS, USPS, TINS security or internal transaction approvals.

Two employees could process and release payments through USAS and process and release payments between its internal system and USAS. Two employees could process and release payrolls. Three employees could adjust payment instructions in TINS, approve vouchers and pick up warrants from the Comptroller's office, and approve paper vouchers.

We ran a report to determine whether any of the Senate's payment documents processed through USAS during the audit period because of the action of only one individual. The report indicated that 23 USAS documents processed without electronic oversight. These documents resulted in payments totaling \$22,217. We randomly selected and reviewed five of those documents. No issues were identified.

To reduce risk to state funds, agencies should have controls over expenditure processing that segregate each accounting task to the greatest extent possible. Ideally, no individual should be able to enter or alter and then release payments or other accounting transactions within the statewide financial systems without another person's involvement.

#### Recommendation/Requirement

The Senate should segregate each task to the extent possible to ensure that no individual is able to process payments without another person's involvement.

1. The Senate must limit access at the time it is set up (96A screen) to either enter/change voucher or release/approve batch.
2. The Senate should elect to have the document tracking control edit on the Agency Profile (DØ2) set to either:
  - Prevent a user from releasing a batch that the same user entered or altered for the agency
  - OR –
  - Warn the user when the same user attempts to release his or her own entries or changes and to have a second individual review and process those transactions. See [USAS Accounting and Payment Control \(FPP B.005\)](#).

3. The Senate should request the DAFR9840 on the Report Request Profile (91) screen for a list of documents that were entered or altered by the same user who released the batch for review and consideration by a supervisor or a manager.

The DAFR9840 identifies and analyzes documents with these action codes:

- 200 – Transaction Added to Accounting Files
- 205 – Transaction on Accounting Files Changed
- 210 – Transaction Deleted from Accounting File
- 201 – Release of Batch

The Senate must ensure that employees with voucher/payment entry/change/delete status in the Senate's internal system who also have release status in USAS are not able to also approve/release payments in the internal system or in USAS. A supervisor or another employee should be approving the vouchers in the internal system.

The Senate must work with the Comptroller's Statewide Fiscal Systems (SFS) Security staff to set up user profiles that separate the entry and approval of payroll transactions in USPS.

The Senate must limit access to view only for users of TINS (PTINS02) who can enter/change vouchers or release/approve batches in USAS. An individual should not be able to create a vendor or change a vendor profile, create a payment and approve the payment.

### Senate Response

*The Senate will change the USAS Data-Related Errors section of the D02 screen from "Ignore" to "Warning" in accordance with FPP B.005's Preventative Control: Edit for Document Tracking Control section. Any attempt to enter/modify a transaction then release for payment will interrupt the transaction process with a warning before the user can complete the transaction. This change mitigates the possibility of inadvertent entry then release of Senate transactions.*